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C O N F I D E N T I A L BUDAPEST 000736

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E.O. 12958: DECL: XM+25-1 HUMAN  
TAGS: [ECON](#) [OECD](#) [EUN](#) [HU](#)  
SUBJECT: HUNGARY: DEAL NEEDED ON OECD ENLARGEMENT AND  
FINANCING REFORM

REF: STATE 62464

Classified By: Political/Economic Counselor Eric Gaudiosi for Reasons i  
n E.O. 12958 Sections 1.4 (b) and (d)

1.(C) Laszlo Varkonyi, Director General for Trade Policy at the Ministry of Economy and Transport, shared his optimistic views for OECD expansion in a May 9 meeting. Varkonyi stressed that he believes both enlargement and financing reform agreements are likely at the May 15-16 ministerial meeting, but that further negotiations on all issues are needed. Hungary will not block Russia, but does not particularly support Russia, believing, in any case, that Russia would not actually meet the criteria to join for a "very long time." He reported that, in May 9 discussions with Polish and UK counterparts, that Poland was floating the idea of blocking Russia. However, he did not believe Poland would actually follow through with this.

#### Different Views on Likemindedness

2.(C) Hungary philosophically differs with the U.S., though possibly not enough to block specific nominations, on likemindedness. Varkonyi expressed deep reservations about China, Brazil, South Africa, and India because Hungary wants to see an OECD view on "global issues from a unified perspective," not a "global perspective on global issues," saying the OECD is not the appropriate forum for the possible introduction of North/South issues. In his view, these countries are not likeminded enough: the danger of premature entry into accession negotiations is that it puts pressure on these countries to join even when they are not truly ready. Europe generally would like to avoid "premature" expansion, because they can see the complicated situation they have invited through Turkey's long-term accession negotiations. The "mood" would have to change in accession countries, and stringent expectations made clear: Varkonyi recalled that Brazil as an OECD observer had already made a lengthy and inappropria

tely timed intervention about human rights/equity issues in debt forgiveness.

#### EU-8 Complicated, Estonia not a Great Option

3.(C) The European Commission plays a complex, frustrating role in this process, according to Varkonyi, and Hungary finds it difficult to understand which negotiating posture the Commission would prefer to take until it is "too late." Hungary is uncertain of the EU role in developing common positions on OECD expansion and financing issues. He realizes a deal will need to be made on EU-8 expansion, but criticized vehemently the selection of Estonia and Slovenia. Hungary strongly supports Slovenia, but sees the Estonia proposal as harmfully divisive among Baltic countries. Furthermore, he fears Estonia would be uniquely outspoken against Russia in the OECD (e.g. not likeminded), and simply entangle Russia into ongoing Estonia-Russia issues. Varkonyi gave no indication Hungary would break with a common EU position on the EU-8, even as he expressed "the EU-8 will not be a deal-breaker."

#### Current Financing Proposal Not Acceptable; Fairness a Concern

4.(C) The UK has been promoting the current finance reform proposal, but meeting resistance in small countries, according to Varkonyi. Hungary would "even have to apologize, embarrassed, to Chile" rather than accept the current financing reform proposal as a condition of an enlargement agreement. Hungary and other small states find it uniquely unfair that they would have to, as he sees it, underwrite the enlargement for dramatically larger countries. Despite this, Hungary acknowledges the need for finance

reform, and is looking for a new proposal to support in this area. Varkonyi seemed particularly confident on this point, and it appeared that this confidence grew out of his recent discussions with the Poles and the UK. He will be in Brussels starting May 10, fully planning on further discussions there.

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